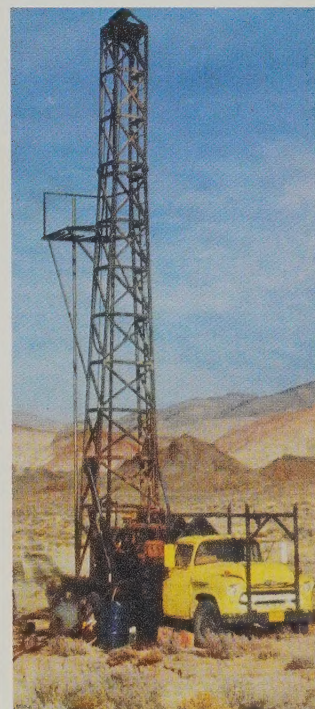


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Mc
MCINTYRE
PORCUPINE MINES LIMITED

**ANNUAL
REPORT**
1969

About our cover

Lower — the McIntyre No. 11 headframe, at Schumacher, Ontario.

Centre, left — the recently completed surface plant of the Madeleine Mine, near Ste. Anne des Monts, Quebec.

Upper, left — aerial view of the surface plant under construction at the Smoky River mine-site near Grande Cache, Alberta.

Upper, right — A McIntyre exploration drilling rig in the south-west United States.

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Annual Meeting

The Annual Meeting of Shareholders will be held at 10:00 o'clock a.m. (Toronto time) on Friday, May 8th, 1970 in the Manitoba Room, Royal York Hotel, Toronto, Ontario.

Capital Stock	<p>Authorized: 3,000,000 shares without par value</p> <p>Issued: 2,390,682 shares</p>
Location of Mines	<p>The McIntyre Mine, Schumacher, Ontario</p> <p>The Madeleine Mine, Ste. Anne des Monts, Quebec</p> <p>McIntyre Coal Mines, Smoky River, Alberta</p>
Executive and Head Office	<p>Suite 1200, 55 Yonge Street</p> <p>Toronto 1, Ontario</p>
Auditors	<p>Thorne, Gunn, Helliwell & Christenson</p> <p>Chartered Accountants, Toronto, Ontario</p>
Transfer Agents	<p>Canada Permanent Trust Company, Toronto, Ontario and Calgary, Alberta</p> <p>Bankers Trust Company, New York</p>
Registrars	<p>Crown Trust Company, Toronto, Ontario and Calgary, Alberta</p> <p>The Chase Manhattan Bank (National Association), New York</p>

Directors

D. L. BOHANNAN Calgary, Alberta	<i>Vice-President, Operations, Canadian Superior Oil Ltd.</i>
F. R. BURTON Toronto, Ontario	<i>President, Alminex Limited</i>
*M. A. COOPER Toronto, Ontario	<i>President and Managing Director, Falconbridge Nickel Mines Limited</i>
N. F. W. H. D'ARCY London, England	<i>President, Locana Corporation Limited</i>
*A. E. FELDMAYER Calgary, Alberta	<i>President and Managing Director, Canadian Superior Oil Ltd.</i>
*J. K. GODIN Toronto, Ontario	<i>President and Chief Executive Officer of the Company</i>
J. O. HAMBRO London, England	<i>Chairman, Hambros Bank, Limited</i>
*H. B. KECK Houston, Texas	<i>President, The Superior Oil Company</i>
W. M. KECK, JR. Los Angeles, Calif.	<i>Director and Member of the Finance Committee, The Superior Oil Company</i>
HON. E. C. MANNING, P.C. Edmonton, Alberta	<i>President, M & M Systems Research Ltd.</i>
D. G. C. MENZEL Toronto, Ontario	<i>Partner, Campbell, Godfrey and Lewtas</i>
G. H. STEER Edmonton, Alberta	<i>Partner, Milner & Steer</i>
	<i>*Member of the Advisory Committee</i>

Officers

M. A. COOPER	<i>Chairman of the Board</i>
J. K. GODIN	<i>President and Chief Executive Officer</i>
J. B. ANDERSON	<i>Vice-President Operations</i>
W. P. HAMMOND	<i>Vice-President Exploration</i>
W. T. KILBOURNE II	<i>Vice-President Corporate Affairs</i>
F. T. MCKINNEY	<i>Corporate Secretary</i>
†O. J. SHORE	<i>Treasurer</i>
	<i>†Resigned February 3, 1970</i>

Manager, Coal Division

L. G. PRICE	<i>Edmonton, Alberta</i>
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Mine Managers

A. A. ADAMSON	<i>The McIntyre Mine, Schumacher, Ontario</i>
G. E. LACAILLE	<i>The Madeleine Mine, Ste. Anne des Monts, Quebec</i>
W. MURRAY	<i>McIntyre Coal Mines, Smoky River, Alberta</i>

SUMMARY

	1969	1968
Net income	\$ 7,326,000	\$ 6,730,000
Per share	\$3.06	\$2.82
Dividends	\$ 4,780,000	\$ 5,496,000
Per share	\$2.00	\$2.30
Investments		
At cost	\$117,412,000	\$111,024,000
Per share	\$49.11	\$46.47
At market value	\$330,297,000	\$209,101,000
Per share	\$138.16	\$87.52
Metal production		
Copper - pounds	10,813,000	12,089,000
Gold - ounces	103,000	106,000
Nickel - pounds	—	619,000
Silver - ounces	88,000	99,000

DIRECTORS' REPORT

To The Shareholders

The Directors are pleased to submit the fifty-eighth annual report of your Company.

The highlights of the year were an increase in earnings; commencement of production at the Madeleine Mine; and development of the Smoky River coal properties preparatory to the shipment of coal in April, 1970.

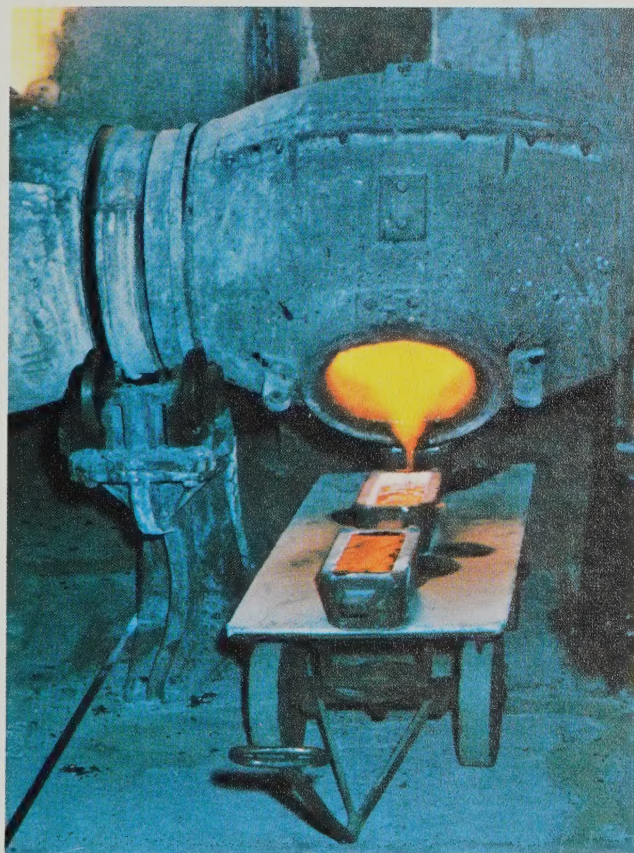
Net income for 1969 amounted to \$3.06 per share compared with \$2.82 per share in 1968, an increase of 8.5%. The increased earnings were mostly attributable to higher copper prices.

The market value of the investment portfolio at December 31, 1969, including Madeleine Mines Ltd. first mortgage income bonds at cost, was \$330 million or \$138 per share compared with \$209 million or \$88 per share at the end of 1968.

There was further expansion of the Company's exploration activities in 1969.

McINTYRE MINE

During the year 741,440 tons of copper ore were milled from which 10,812,958 pounds of copper, 11,245 ounces of gold and 78,630 ounces of silver were re-



A gold pour at the McIntyre Mine.

covered. Gold ore milled totalled 330,670 tons for a production of 92,162 ounces of gold and 9,710 ounces of silver. Value of metals produced was \$12,092,000. Operating income after write-offs, and including Emergency Gold Mining Assistance, was \$3,724,581. Without Emergency Gold Mining Assistance the gold mine could not operate.

An agreement recently concluded with Westfield Minerals Limited, extending the existing mining lease on the adjoining Westfield property to the 3875 foot elevation, will add further copper ore tonnage to present reserves.

Continued exploration of the adjacent Hollinger property, which was leased following the closing of the Hollinger mine, resulted in the definition of several areas containing minor gold ore tonnage.

Surface diamond drilling on the main mine property was carried out in several areas. Nothing of major interest has been encountered to date. The program is continuing.

Copper Development

Development totalled 12,951 feet comprised of 10,789 feet of lateral work and 2,162 feet of raising. Of the above total 11,903 feet were for stope preparation and 1,048 feet for permanent openings. Diamond drilling amounted to 28,765 feet.

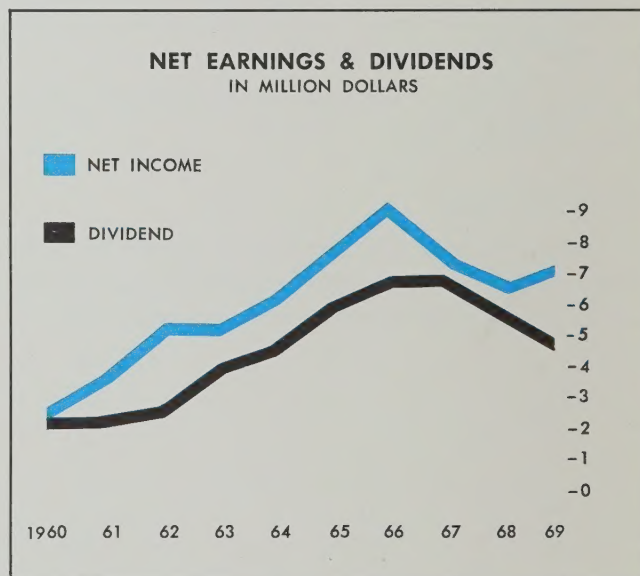
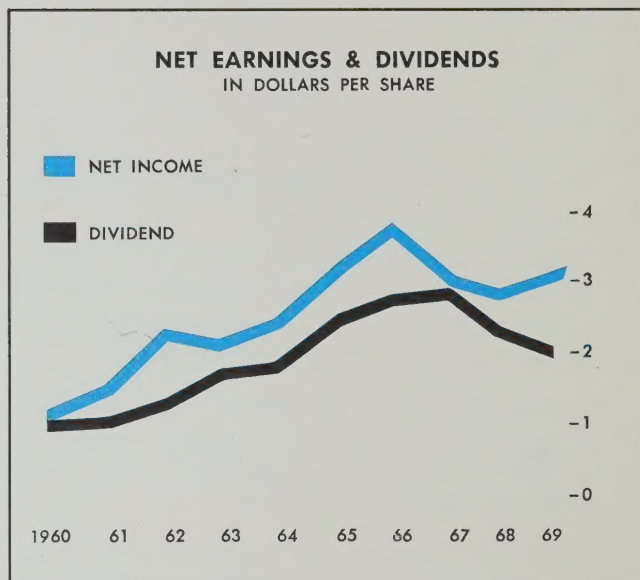
Gold Development

Lateral development totalled 2,419 feet with 619 feet in ore averaging 0.299 ounce per ton over a width of 11.3 feet.

Ore Reserves

Additional copper ore outlined during the year more than replaced the ore mined. Reserves, apart from anticipated tonnage resulting from the Westfield agreement, increased by 7.6% to 4,337,000 tons grading 0.733% copper and 0.022 ounce gold per ton.

Gold ore reserves at 686,950 tons grading 0.330 ounce per ton also showed a slight increase in both tonnage and grade.



SMOKY RIVER COAL DIVISION

Despite the major Canadian steel strike which resulted in some delays in deliveries of steel and equipment, surface construction and underground development proceeded satisfactorily at the Smoky River coal project. However, the strike delayed deliveries of the required railway cars. This caused a reduction in the shipments of unwashed coal to 450,000 long tons. These shipments are now scheduled to begin in April, with the long term contract shipments of clean coal starting in August of this year.

Initial production will be obtained from the Numbers 2 and 5 mines on the west and east banks respectively of the Smoky River. Development headings driven to December 31 totalled 35,000 feet in preparation for

retreat longwall mining. This work produced about 190,000 long tons of coal.

In addition to the metallurgical coal produced for steel production, up to 500,000 tons a year of by-product steam coal will be supplied to an on-site thermal power plant which will be built and operated by Canadian Utilities Limited.

A surface diamond drilling program is under way in the Number 9 mine area, west of Sheep Creek. This program is designed to outline in detail a large reserve of premium quality coal which previous diamond drilling indicated to be amenable to open pit mining.

In the Town of Grande Cache the Company had constructed 260 houses by year-end. By April, 1970, a

Preparation plant and adjacent facilities under construction at the Smoky River minesite.



*Conveyor system from the No. 5 mine
to the coal breaker house at the Smoky
River minesite.*



*Attractive housing for the Company's
Coal Division employees at the new
town of Grande Cache, Alberta.*



total of 350 houses will have been completed. These houses will be sold to mine employees on a subsidized basis.

The Alberta Government has completed a modern school with classes to Grade XII, and has under construction a hospital and a recreation centre. Other construction by private enterprise includes apartment buildings, a hotel, motel and stores.

MADELEINE MINES LTD.

Under the management of your Company, the Madeleine mine was brought into production on schedule and within budget and was officially opened by the Minister of Natural Resources of the Province of Quebec on September 12, 1969.

The mill started production in June, 1969 and by the end of the year had treated 402,146 tons of ore. At

Panoramic view of the Madeleine minesite near Ste. Anne des Monts, Quebec.



*Long hole drilling at the
McIntyre mine.*



*Trackless mining equipment at
the McIntyre mine.*



year-end the milling rate was approximately 2,200 tons per day. Ball mill capacity is being increased to achieve the planned target of 2,500 tons per day. This should be reached in March, 1970.

Concentrate produced to December 31, 1969, is estimated at 13,950 dry tons containing 8,317,789 pounds of copper and 82,694 ounces of silver. The gross value of metals produced during the year totalled \$6.1 million and net profit after write-offs amounted to \$1.9 million or 40¢ per Madeleine share.

During the year 24,839 feet of underground diamond drilling was completed. This was mainly confined to detailed drilling of the main ore zone preparatory to stope layout. Toward the latter part of the year, exploratory drilling was undertaken to test for extensions of the known ore structures and explore for new zones. Drilling to date on the North ore zone has confirmed the previously indicated tonnage and has shown the zone to be open to depth.

Development

Development during 1969 consisted of 14,833 feet of lateral work and 1,368 feet of raising. Inclines between the 3440 and 2720 levels were extended a total of 2,052 feet. Stope preparation on the 3440 and 3260 levels was completed and is being continued on and above the 3080 level.

Estimated ore reserves as of December 31, 1969 were as follows:

	<i>Tons</i>	<i>Tons Copper</i>	<i>% Copper</i>
Ore in place	4,980,036	66,686	1.34
Broken ore	88,420	1,061	1.20
	<u>5,068,456</u>	<u>67,747</u>	<u>1.34</u>

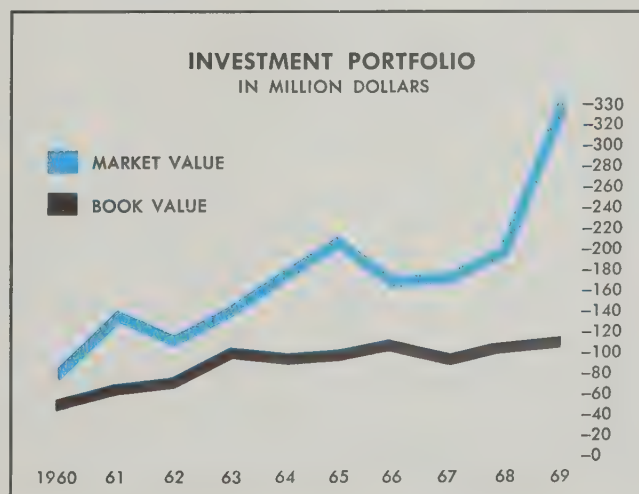
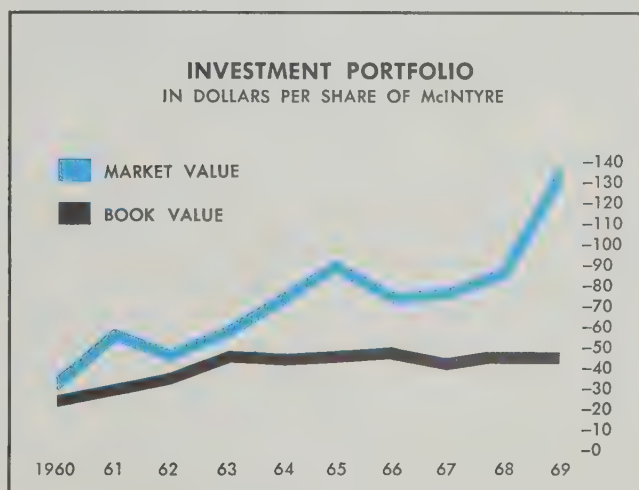
This compares with 5,294,600 tons of 1.36% copper estimated before the start of production.

INVESTMENTS

Except for the increase in market values and in the holdings of Madeleine Mines Ltd., there was little change in the investment portfolio during the year.

At year-end the Company continued to hold 1,838,201 shares of Falconbridge Nickel Mines Limited, equivalent to approximately 37% of the total issued Falconbridge shares.

Holdings of Madeleine Mines Ltd. totalled 1,438,235 shares or approximately 31% of the Madeleine issued stock. In March, 1970 a further 273,972 shares of Madeleine were received on a capital distribution of Madeleine shares by Frobex Limited. This distribution increased your Company's holdings to 36.4% of the outstanding capital stock of Madeleine. At year-end McIntyre also held \$12.5 million income bonds of Madeleine received under the terms of the financing agreement.



FALCONBRIDGE

Earnings for 1969 of \$9.13 per share were the highest in the company's history.

The sharp rise in Falconbridge earnings was attributable primarily to increased production from the new Strathcona mine, increased sales, and higher prices received for metals.

A three-month strike at the Sudbury operations reduced the company's planned output of nickel and copper during the year and Falconbridge was compelled to reduce its allocations to customers during the fourth quarter.

A highlight of the year was the progress made on financing arrangements for the ferronickel project of Falconbridge Dominicana, C. por A. in the Dominican Republic. Financing agreements providing \$180 million

Construction of the power station for the Falconbridge ferronickel project in the Dominican Republic.



(U.S.) were completed in the early part of January, 1970 and construction is now underway.

Progress on the nickel-iron refinery at Sudbury was delayed by labour strikes and the plant is now scheduled for production in the second half of 1970. Development work continued on the Lockerby Mine in the Sudbury Basin and commenced on the Manibridge nickel property in northern Manitoba, both of which are being readied for production. A two-year program of exploration and development was started at the Ungava Nickel property of New Quebec Raglan Mines Limited and Delbridge Mines Limited brought its Quebec copper-zinc property into production. Active programs were underway at various other locations.

Falconbridge continues its world-wide exploration program.

EXPLORATION

In 1969, McIntyre expanded its search for new mineral deposits. The principal exploration activities were conducted in Canada, the United States, Australia and New Zealand. The Company also entered into a joint venture agreement with Falconbridge Nickel Mines for exploration in Africa.

North of Timmins, Ontario, a small gold deposit was discovered. Although it is sub-marginal under present conditions, it will be retained. On a property in southern British Columbia, a wide zone of disseminated molybdenum mineralization was outlined by drilling and further exploration will be required in the current year.

An exploration permit was acquired by tender in the Berland River district of Alberta, granting McIntyre the exclusive right to explore for coal over a large area. During the field season, a number of coal seams were discovered which indicate the existence of a new metallurgical coal field. Much of the coal is amenable to open



McIntyre Prospecting 1970 — the old and the new.



pit mining. Exploration in the area will be increased in 1970.

In the United States, McIntyre was actively engaged in exploring copper prospects in Arizona, Nevada and New Mexico. Results on two properties have provided initial encouragement and investigation is continuing.

Work in New Zealand was concentrated on a large belt of ultrabasic rocks in the South Island. While widespread nickel-copper mineralization occurs, nothing of economic importance has been found to date.

The Company's Australian subsidiary carried out extensive work throughout that country. A number of claims are held in the nickel area of Western Australia where exploration will be expanded during the current year. During 1969 approximately 3,600 feet of drilling was completed.

DIRECTORS

On May 7, 1969 Mr. J. K. Godin, Executive Vice-President and Chief Executive Officer of the Company, was elected President and Chief Executive Officer. At the same time, the Honourable E. C. Manning, P.C., was elected to the Board following the resignation of Mr. Murray Christian. Mr. Manning is President of M. & M. Systems Research Ltd. in Edmonton, Alberta. He was formerly Premier of that Province. Mr. W. P. Hammond, formerly Director of Exploration, was appointed Vice-President Exploration, on October 21, 1969.

EMPLOYEES

Good employee relations continued throughout 1969.

Labour agreements were negotiated with locals of the United Steelworkers of America at the Madeleine Mine and the Smoky River Coal Division. The labour agreement

with United Steelworkers covering Schumacher employees expires May 31, 1970.

Recruitment for the Madeleine operation in Quebec was completed in mid-year. The number of Madeleine employees now totals 221.

Recruitment for the Coal Division continues and at commencement of shipments under the long term agreement in August of this year, the total complement is expected to be about 500 employees. Employee housing accommodation has been provided in the new town of Grande Cache, which is located in a natural beauty spot of mountains, lakes and trees, approximately 12 miles from the minesite. Sound town planning has resulted in a modern, attractive community proportioned approximately sixty percent to housing; eleven percent to public buildings; twenty percent to the commercial and industrial area and nine percent to parks and recreation. About one-half of the total of 350 houses presently planned are occupied and the shopping, educational and recreational facilities are in full use.

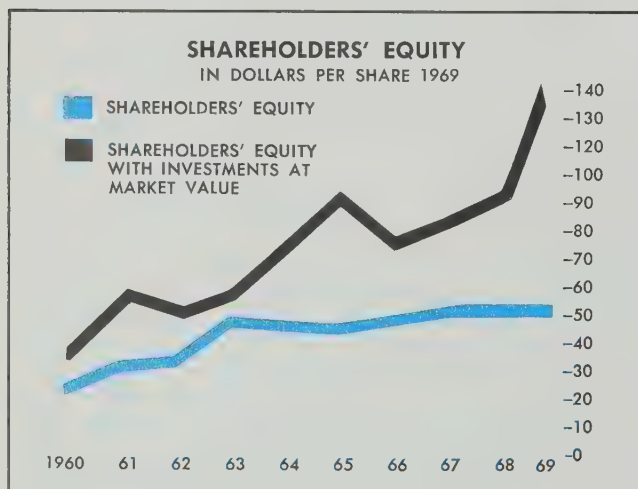
The regular annual meeting of the Quarter Century Club was held at Schumacher, Ontario, on November 1, 1969 when six employees were honoured in recognition of their long service to the Company. Membership now totals 306.

SHAREHOLDERS

At year-end 3,190 shareholders of record held 2,390,682 shares of the Company's issued and outstanding capital stock.

OUTLOOK

Overshadowing the favourable outlook for your Company are the implications of the Canadian Government's White Paper on Tax Reform. The proposals call for a major reduction in the tax incentives which have played



so important a part in the development of Canada's natural resources. If these proposals were adopted, mine exploration and development would be seriously curtailed, to the detriment of all of Canada. We agree that tax reforms are desirable, but hope that responsible Government leadership will insist that such reforms encourage natural resource development which is so important to our economy. Your Company will present its views on the White Paper to the Standing Committee on Finance, Trade and Economic Affairs, House of Commons, and to the Committee on Banking, Trade and Commerce of the Senate.

In other respects McIntyre's prospects are bright indeed. Severe shortages of high quality metallurgical coking coal are becoming evident in world markets and sharp price increases have already occurred. McIntyre's great reserves of this premium quality coal place the Company in a strong position to expand substantially the present sales contracts with Japanese consumers, and to supply other world markets.

The McIntyre mine continues to produce at capacity, and earnings are expected to be maintained. The Madeleine mine has just reached planned production rate, and favourable earnings are predicted.

In 1969 Falconbridge, despite the three months' strike, had its highest earnings in history. Continued excellent performance by this company is expected.

Assuming that metals prices will remain firm, somewhat higher earnings are anticipated for 1970. Beyond 1970 we are confident of further earnings improvement as the full impact of revenue from coal sales is realized.

ACKNOWLEDGEMENTS

The directors again express their appreciation and thanks to the staff and all employees for their co-operation and effort throughout the year.

On behalf of the Board of Directors,



President and Chief Executive Officer.

Toronto, March 12, 1970.

CONSOLIDATED BALANCE SHEET — DECEMBER 31, 1969

ASSETS

Current	1969	1968
Cash	\$ 750,000	\$ 5,237,000
Settlements outstanding and inventories at estimated realizable value	2,839,000	2,091,000
Due from Madeleine Mines Ltd.	1,811,000	4,000
Other receivables and prepaid expenses	1,395,000	1,176,000
	<u>6,795,000</u>	<u>8,508,000</u>
 Investments at cost (note 2)		
Falconbridge Nickel Mines Limited	100,187,000	100,187,000
Madeleine Mines Ltd.	14,342,000	8,053,000
Other	2,883,000	2,784,000
	<u>117,412,000</u>	<u>111,024,000</u>
 Fixed (notes 3 and 5)		
Plant and equipment at cost	42,100,000	12,224,000
Less accumulated depreciation	9,035,000	9,195,000
	<u>33,065,000</u>	<u>3,029,000</u>
Mining rights at nominal value	1,000	1,000
	<u>33,066,000</u>	<u>3,030,000</u>
 Other		
Mine supplies at cost	501,000	500,000
Deferred mine development (notes 3 and 5)	9,604,000	2,485,000
Other items	324,000	313,000
	<u>10,429,000</u>	<u>3,298,000</u>
	<u>\$167,702,000</u>	<u>\$125,860,000</u>



(Incorporated under the laws of the Province of Ontario)
AND SUBSIDIARY COMPANIES

LIABILITIES

Current

	1969	1968
Accounts payable and accrued liabilities	\$ 6,013,000	\$ 715,000
Income and other taxes	249,000	91,000
	<u>6,262,000</u>	<u>806,000</u>

Long Term (note 4)

Bank loans	30,952,000
5½ % Notes payable	2,361,000
	<u>33,313,000</u>

Other Credits

Deferred income taxes (note 6)	1,510,000	1,065,000
Minority interest in subsidiary	38,000	70,000
	<u>1,548,000</u>	<u>1,135,000</u>

Shareholders' Equity

Capital stock (note 7)		
Authorized — 3,000,000 shares without par value		
Issued — 2,390,682 shares		
(1968 — 2,389,282 shares)	6,299,000	6,185,000
Retained earnings	120,280,000	117,734,000
	<u>126,579,000</u>	<u>123,919,000</u>

APPROVED BY THE BOARD:

J. K. GODIN, *Director*

A. E. FELDMEYER, *Director*

\$167,702,000

\$125,860,000

CONSOLIDATED INVESTMENTS

December 31

	1969			1968		
	Number of shares or par value	% of issued security	Indicated market value (A)	Number of shares or par value	% of issued security	Indicated market value (A)
Falconbridge Nickel Mines Limited	1,838,201	37.2	\$306,979,000	1,838,201	37.5	\$196,688,000
Madeleine Mines Ltd.						
Shares (B)	1,438,235	30.6	8,773,000	935,115	22.2	3,694,000
5% First mortgage income bonds (C) ..	\$12,500,000	100.0	—	\$6,211,000	100.0	—
Frobex Limited (B)	1,000,000	28.6	1,500,000	1,000,000	28.6	1,900,000
Opemiska Copper Mines (Quebec) Limited	96,000	1.7	1,320,000	96,000	1.7	893,000
Other listed shares			225,000			212,000
			<u>\$318,797,000</u>			<u>\$203,387,000</u>

Notes

- (A) The above market values are based upon closing market prices at December 31. Because of the significant number of shares involved, the indicated market values do not necessarily reflect realizable values.
- (B) Shares of Madeleine shown above reflect direct holdings of McIntyre and its consolidated subsidiaries. Subsequent to December 31, 1969, the directors of Frobex approved a capital distribution of Madeleine shares. This distribution will increase McIntyre's direct holdings of Madeleine by a further 5.8% (273,972 shares).
- (C) The 5% first mortgage income bonds of Madeleine are not traded; accordingly market values are not available.

CONSOLIDATED EARNINGS

Year ended December 31, 1969

	1969	1968
Revenue		
Metal production	\$ 12,092,000	\$ 11,339,000
Falconbridge dividends	6,434,000	6,373,000
Other dividends and interest	754,000	737,000
	<u>19,280,000</u>	<u>18,449,000</u>
Expenses		
Production costs	8,915,000	9,173,000
Administrative and general	1,033,000	1,105,000
Depreciation and amortization (note 5)	516,000	732,000
Exploration	1,990,000	1,208,000
Other items		176,000
	<u>12,454,000</u>	<u>12,394,000</u>
Deduct emergency gold mining assistance	945,000	960,000
	<u>11,509,000</u>	<u>11,434,000</u>
	7,771,000	7,015,000
Income taxes (note 6)	445,000	285,000
Net Earnings	<u>\$ 7,326,000</u>	<u>\$ 6,730,000</u>
Earnings per share	<u>\$ 3.06</u>	<u>\$ 2.82</u>

CONSOLIDATED RETAINED EARNINGS

Year ended December 31, 1969

	1969	1968
Balance at beginning of year (note 9)	\$117,734,000	\$116,500,000
Net earnings	7,326,000	6,730,000
	<u>125,060,000</u>	<u>123,230,000</u>
Dividends (\$2.00 per share 1969; \$2.30 in 1968)	4,780,000	5,496,000
Balance at end of year	<u>\$120,280,000</u>	<u>\$117,734,000</u>

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1969

Source of Funds	1969	1968
Current operations, excluding non-cash items (\$3.48 per share 1969; \$3.41 in 1968)	\$ 8,319,000	\$ 8,147,000
Bank financing	30,952,000	
Issue of 5½ % notes	2,361,000	
Sale of investments		147,000
Issue of shares under stock option plan	114,000	
Other sources		100,000
	<u>41,746,000</u>	<u>8,394,000</u>
 Application of Funds		
Dividends to shareholders (\$2.00 per share 1969; \$2.30 in 1968)	4,780,000	5,496,000
Fixed assets and mine development	37,703,000	1,223,000
Investment in		
Madeleine Mines Ltd.	6,289,000	6,211,000
Falconbridge Nickel Mines Limited		5,562,000
Dividends to minority shareholders in subsidiary	32,000	176,000
Other applications	111,000	254,000
	<u>48,915,000</u>	<u>18,922,000</u>
Decrease in working capital	7,169,000	10,528,000
Working capital at beginning of year	7,702,000	18,230,000
Working capital at end of year	<u><u>\$ 533,000</u></u>	<u><u>\$ 7,702,000</u></u>

Thorne,
Gunn,
Helliwell
& Christenson

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
McIntyre Porcupine Mines Limited

We have examined the consolidated balance sheet and consolidated statement of investments of McIntyre Porcupine Mines Limited and its subsidiaries as at December 31, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne, Gunn, Helliwell & Christenson

Toronto, Canada
February 25, 1970.

Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1969

1. BASIS OF CONSOLIDATION

The consolidated statements reflect the financial transactions of McIntyre and its majority controlled subsidiaries including:

- (a) The mining operations of the Schumacher division for both 1969 and 1968 and the mining operations of the 80% controlled subsidiary, Lorraine Mining Company Limited, in 1968 until exhaustion of its ore body in August of that year.
- (b) The operations of the Smoky River coal division which are in the construction and development stage and are, accordingly, reflected in the consolidated balance sheet categories of fixed assets and deferred mine development.

2. INVESTMENTS

Falconbridge Nickel Mines Limited

McIntyre's 37.2% interest in Falconbridge 1969 earnings, before gain on investments, exceeded by \$10,417,000 the dividends received and included in earnings for the current year (\$2,682,000 in 1968). This excess of earnings over dividends received represents \$4.36 per share of McIntyre (\$1.12 in 1968). In addition McIntyre's interest in Falconbridge's 1969 gain on investments amounted to \$208,000 (\$4,517,000 in 1968).

As at December 31, 1969, McIntyre's interest in earnings retained by Falconbridge since acquisition of shares in that company, including gain on investments, amounted to \$36,821,000.

Madeleine Mines Ltd.

McIntyre's 30.6% interest in the 1969 earnings retained by Madeleine amounted to \$579,000. These earnings retained by Madeleine represent \$.24 per share of McIntyre.

As at December 31, 1969, McIntyre owned 1,438,235 shares in Madeleine carried at cost of \$2,841,955 and \$12,500,000 first mortgage income bonds carried at cost of \$11,500,000.

3. COMMITMENTS AND CONTINGENCIES

McIntyre has contracted to deliver 29½ million long tons of metallurgical coking coal to the Japanese steel industry over a 15 year term commencing in 1970. A further sales contract allows deliveries of 450,000 long tons of untreated development coal to begin in advance of the major contract.

As of December 31, 1969 certain contracts have been awarded and commitments made for delivery, construction and development of the related facilities necessary to the Corporation's coal operations in western Canada. Approximately \$27,000,000 will be expended in 1970 in completing the planned facilities.

McIntyre's guarantee in respect of mortgages on employee housing in Grande Cache will constitute a contingent liability which may initially aggregate a maximum of \$6,600,000.

A long term lease agreement for the supply of rail cars for unit train transportation of coal to Vancouver provides for lease payments to a maximum of \$885,000 in any one year.

4. FINANCING

Projects presently under way are being financed by the Corporation's Canadian banker on a demand basis except for certain purchases of coal mining equipment in the United Kingdom which are being partly financed by the issue of 5½ % notes payable in sterling funds.

Arrangements for repayment of bank loans provide that future cash flows will be applied to the retirement of the loans commencing during 1971.

At December 31, 1969, £916,000 principal amount of the 5½ % notes had been issued. An aggregate £3,520,000 principal amount of such financing has been arranged and, if fully utilized, notes will mature semi-annually from June 1971 through to June 1978.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. DEPRECIATION AND AMORTIZATION

Depreciation and amortization policies are as follows:

- (a) Expenditures on development of new mines and on major expansion of existing mines are carried forward as deferred charges. Exploration expenditures are charged to earnings as incurred.
- (b) Mine development expenditures are amortized on an appropriate basis as soon as the production stage is reached. Development expenditures in respect of the copper ore body developed in former years at the Schumacher division are being amortized over the life of the estimated ore reserves.
- (c) Depreciation of plant and equipment commences as soon as production begins based on estimated productive life. Depreciation of fixed assets at the Schumacher division continues at an annual rate of 10% and depreciation of aircraft is provided at an annual rate of 25%, both applied on a straight line basis.

The Smoky River project is in the construction and development stage and, accordingly, depreciation and amortization for this project have not commenced.

6. INCOME TAXES

Income taxes charged against earnings are based upon depreciation and amortization charges which have been recorded in conformity with McIntyre's regular accounting practice. Greater deductions have been claimed for tax purposes and the resulting tax reductions are carried in the balance sheet as deferred income taxes.

Dividends from Falconbridge Nickel Mines Limited and other taxable Canadian corporations are not subject to further tax in McIntyre's hands under existing tax legislation.

7. CAPITAL STOCK

During 1969, 1,400 shares were issued for \$114,000 cash under the executive and key employees stock option plan. Of the 150,000 shares set aside in 1958 under the plan, a total of 91,650 shares had been issued to December 31, 1969 and, at that date, outstanding options were:

Number of shares	Per share	Granted	Expiring
1,000	\$ 81.34	October 14, 1965	October 14, 1970
30,000	\$ 83.25	October 16, 1968	October 15, 1978
15,300	\$ 110.20	February 5, 1969	February 4, 1979

In January 1970 the option on the 30,000 shares was exercised.

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Direct remuneration of the Corporation's directors and senior officers amounted to \$270,000 for 1969 and \$316,000 for 1968.

9. RECLASSIFICATION

The comparative 1968 figures shown in the financial statements differ in certain respects from those previously reported due to reclassification for comparative purposes.

The loss on sale of investments in 1968 of \$8,000 was charged to retained earnings in that year but has been reclassified as a charge against earnings to reflect a change in accounting policy in 1969.

The minority shareholders' interest in the 1968 net earnings of Lorraine, amounting to \$42,000, and the net write down in 1968 of that subsidiary's assets of \$126,000 have also been reclassified as other expense items since they are not significant. The operations of Lorraine terminated in 1968.

THE McINTYRE MINE
Schumacher, Ontario

STATEMENT OF OPERATING INCOME

COPPER OPERATIONS	1969		1968	
	Total	Per lb. Copper	Total	Per lb. Copper
Copper, gold and silver produced	\$8,573,000	\$ 0.79	\$6,203,000	\$ 0.58
Operating costs:				
Mine development and exploration	752,000	.07	730,000	.07
Breaking and stoping	1,616,000	.15	1,321,000	.12
Milling	709,000	.07	675,000	.06
Marketing expense	1,243,000	.11	1,014,000	.09
Royalty under Ontario Mining Tax Act	242,000	.02	51,000	.01
Depreciation	162,000	.01	150,000	.02
Amortization of preproduction development expenditures	186,000	.02	184,000	.02
	4,910,000	.45	4,125,000	.39
Operating income — copper	<u>\$3,663,000</u>	<u>\$.34</u>	<u>\$2,078,000</u>	<u>\$.19</u>
GOLD OPERATIONS	1969		1968	
	Total	Per Fine Ounce Gold	Total	Per Fine Ounce Gold
Gold and silver produced	\$3,491,000	\$ 37.87	\$3,534,000	\$ 37.92
Operating costs:				
Mine development and exploration	370,000	4.01	127,000	1.36
Breaking and stoping	3,102,000	33.67	3,424,000	36.75
Milling	790,000	8.57	736,000	7.90
Marketing expense	15,000	.16	18,000	.19
Municipal and provincial taxes and lease rentals	64,000	.69	61,000	.65
Depreciation	34,000	.37	60,000	.64
	4,375,000	47.47	4,426,000	47.49
Deduct emergency gold mining assistance	945,000	10.25	960,000	10.30
	3,430,000	37.22	3,466,000	37.19
Operating income — gold	<u>\$ 61,000</u>	<u>\$.65</u>	<u>\$ 68,000</u>	<u>\$.73</u>
Total operating income — copper and gold	<u>\$3,724,000</u>		<u>\$2,146,000</u>	

THE MCINTYRE MINE
 Schumacher, Ontario
ORE RESERVES

COPPER ORE RESERVES

	1969			1968		
	Tons	Copper Tons	%	Tons	Copper Tons	%
Defined by drilling	3,684,767	27,032	0.73	3,582,500	28,377	0.79
Broken	652,645	4,762	0.73	447,730	3,539	0.79
	<u>4,337,412</u>	<u>31,794</u>	<u>0.73</u>	<u>4,030,230</u>	<u>31,916</u>	<u>0.79</u>

GOLD ORE RESERVES

	1969		1968	
	Tons	Fine Ounces Gold	Tons	Fine Ounces Gold
Estimated in place	648,000	217,255	629,900	207,840
Broken ore	38,950	9,412	42,000	9,910
	<u>686,950</u>	<u>226,667</u>	<u>671,900</u>	<u>217,750</u>
Average grade per ton		<u>.330</u>		<u>.324</u>

TEN YEAR FINANCIAL REVIEW
(in thousands)

	1969	1968	1967
RESULTS PER SHARE	\$	\$	\$
Net earnings	3.06	2.82	3.06
Dividends paid	2.00	2.30	2.80
OPERATIONS			
Net earnings	7,326	6,730	7,318
Metal production	12,092	11,339	13,242
Operating income	2,573	1,289	1,799
Investment income	7,188	7,110	7,123
Exploration expenditures	1,990	1,208	1,183
Income taxes — current			4
— deferred	445	285	312
Minority interest in subsidiary's earnings		42	105
FINANCIAL POSITION			
Working capital	533	7,702	18,230
Investments	117,412	111,024	99,195
Fixed assets — net	33,066	3,030	3,361
Other assets	10,429	3,298	2,883
Deferred income taxes	1,510	1,065	780
Minority interest in subsidiary's net assets	38	70	204
SHAREHOLDERS' EQUITY			
Equity with investments at cost	126,579	123,919	122,685
Equity with investments at market	339,464	221,996	201,433
Per share with investments at market	141.99	92.91	84.31
Shares outstanding — end of year	2,391	2,389	2,389

1966	1965	1964	1963	1962	1961	1960
\$	\$	\$	\$	\$	\$	\$
3.78	3.22	2.51	2.10	2.24	1.47	1.04
2.70	2.40	1.80	1.60	1.15	1.00	1.00
9,028	7,689	5,990	5,022	5,331	3,469	2,392
15,343	13,336	9,655	8,197	9,680	8,879	8,571
3,681	1,770	960	460	1,419	803	606
7,184	7,127	6,013	5,189	4,649	3,111	2,261
1,004	947	708	510	667	358	416
400	44	133	104	68	85	56
205	121	142				
228	96		13	2	2	3
3,332	3,358	3,103	2,662	3,997	1,272	1,364
110,390	103,033	99,646	99,014	77,271	69,302	51,182
2,346	2,763	3,127	1,473	1,278	636	628
2,701	2,940	3,460	3,727	2,164	1,420	1,148
468	263	142				
428	480	383		30	27	25
117,873	111,351	108,811	106,876	84,680	72,603	54,297
184,171	222,364	181,606	141,930	125,053	140,722	84,480
77.09	93.10	76.05	59.46	52.59	59.49	36.71
2,389	2,388	2,388	2,387	2,378	2,365	2,301

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